File Atlas Minerals
General File

Atlas Minerals

Division of Atlas Corporation

743 Horizon Court
Suite 105
Grand Junction, Colorado 81501
Telephone: (303) 241-2505

RECEIVED

OCT 22 1985

DIVISION OF OIL
GAS & MINING

October 17, 1985

ACT/037/051

Ms. Pamela Grubaugh-Litting
Division of Oil, Gas & Mining
Suite 350
3 Triad Center
355 W. North Temple
Salt Lake City, Utah 84114

RE: Annual Report/10K

Dear Ms. Grubaugh-Litting:

To comply with your earlier request, and the provisions of the Mined Land Reclamation Contract dated January 27, 1983, I am enclosing a copy of the latest Annual Report and 10K Report for Atlas Corporation. These reports are for the fiscal year ended June 30, 1985.

If you have any questions please feel free to call my office at any time.

Sincerely,

Richard E. Blubaugh

Richard E. Blubaugh
Regulatory Affairs Manager

jl

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended June 30, 1985 Commission file number 1-2714

ATLAS CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	13-5503312
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
353 Nassau Street, Princeton, New Jersey	08540
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (609) 921-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1 per share	New York Stock Exchange
Option Warrants to Purchase Common Stock	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes X. No ____.

Aggregate market value of the voting stock held by non-affiliates of the registrant at August 31, 1985: approximately $38,116,000.

Number of shares outstanding of each of the registrant's classes of common stock as of August 31, 1985:
Common Stock, par value $1 per share -- 2,960,488 shares

DOCUMENTS INCORPORATED BY REFERENCE

(1) Atlas Corporation 1985 Annual Report to Stockholders (for fiscal year ended June 30, 1985) - Parts I and II*

(2) Atlas Corporation Proxy Statement for Annual Meeting of Stockholders to be held on November 6, 1985 (to be filed on or about September 30, 1985) - Part III*

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* Only those sections of the Annual Report to Stockholders and Proxy Statement which are specifically incorporated by reference herein are deemed "filed" with the Securities and Exchange Commission as part of this annual report on Form 10-K.

PART I

Item 1. Business.

General

Atlas Corporation (the "Company") is engaged principally in the natural resources, shoe parts, building products and service businesses. The Company also is engaged in the manufacture of small plastic and metal parts used in the aircraft, automotive and other industries. See "Other" under "Item 1. Business."

Information with respect to the Company's industry segments for the fiscal years ended June 30, 1985, 1984 and 1983 is set forth in Note 9 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1985 Annual Report to Stockholders, which Note is incorporated herein by reference.

Natural Resources

The Company conducts its natural resources business through its Minerals Division. The principal activity of the Minerals Division has been the sale of uranium in concentrate ("yellow cake") and vanadium pentoxide produced by the processing of ores of the Division and ores purchased from others in the Division's processing mill located near Moab, Utah. Vanadium is used mainly as an alloy with steel to increase hardness. As indicated below, this activity of the Division is currently on a stand-by basis pending improvement in the market for yellow cake. The Division is also exploring for precious metals and, as disclosed elsewhere herein, is planning commercial production of gold on one of its properties during 1986. The Minerals Division's wholly owned subsidiary, Atlas Precious Metals Inc., is headquartered in Reno, Nevada, and its principal activity is exploration for precious metals such as gold and silver.

The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

Year Ended June 30	Revenues Uranium	Vanadium Pentoxide
1983	$59,070,000	$4,299,000
1984	5,933,000	6,557,000
1985	3,780,000	2,488,000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1985 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The Division's Moab mill has a rated capacity of 1,250 tons of ore per day, of which 500 tons are related to the alkaline circuit, which was shut down in January 1982 and is not expected to be reactivated in the foreseeable future. In April 1984, the remaining operations at the Division's mill were placed on a temporary stand-by basis pending improvement in the market for uranium in concentrate. During fiscal year 1984 the Division's primary sources of ore were owned and leased mines in the Big Indian District, Green River District, Uravan Minerals Belt and Red Canyon and White Canyon areas of Utah and Colorado, and contract shippers and independent ore producers located near Moab, Utah. In addition, in August 1982 the Company acquired an interest in uranium properties in Garfield County, Utah (the "Farley Properties", formerly known as the Bullfrog Properties) containing substantial proven reserves of uranium and vanadium-bearing ore.

For information concerning mineral reserves and sales prices of yellow cake and vanadium pentoxide, see Note 11 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1985 Annual Report to Stockholders, which Note is incorporated herein by reference.

The Division is actively exploring for precious metals such as gold and silver and to a lesser degree other mineral bearing ores, including those containing uranium and vanadium. During fiscal 1985 the Division employed eleven full-time professionals and spent a total of $1,878,000 in connection with its precious metals exploration activities.

Capital expenditures relating to the production and sale of yellow cake and vanadium pentoxide over the next three fiscal years will depend principally on the Division's actual and anticipated production levels and the timing of development of the Farley Properties. The Division's yellow cake production levels generally vary according to the Division's ability to obtain future sales contracts for yellow cake and vanadium pentoxide. The Company expects to make a minimal amount of capital expenditures while the Company's Moab mill is on a stand-by basis. Larger capital expenditures will be made if production levels resume and, particularly, if the Company implements plans for mining and processing ore located on the Farley Properties. The estimated annual cost to maintain the uranium operations on a stand-by basis is $3,300,000. The Company estimates that under current conditions it will not be required to make any significant capital expenditures during the next two fiscal years relating to compliance by the Moab mill and its related operations with applicable laws and regulations concerning the protection of the environment. See Note 1 to the Consolidated Financial Statements of the Company and its subsidiaries included in the Company's 1985 Annual Report to Stockholders, which Note is incorporated herein by reference, for information relating to the reclamation of the mill tailings pond at the Moab mill. Development of the Farley Properties will require external financing. The Company believes that it will be able to meet all presently foreseeable capital requirements of its other uranium operations with internally generated funds.

The principal present market for yellow cake is the electric utility industry. At present the Division has one contract with an electric utility company. As of June 30, 1985, deliveries to be made under that contract amount to 585,000 pounds of yellow cake. The Division has in inventory more than enough yellow cake to fulfill its obligations under that contract. As of June 30, 1985, the Company had no other contracts to sell yellow cake and no inventory of or contracts to sell vanadium pentoxide.

During 1984 the Division discovered ore containing approximately 300,000 ounces of economically recoverable gold on its Gold Bar properties in central Nevada. The Division currently is planning commercial production of gold from ore located on the Gold Bar properties during 1986. The Company believes that the ore can be mined and processed profitably at a price of approximately $250.00 per ounce of gold. The Division owns or controls approximately 34,000 acres of land surrounding the area of the existing Gold Bar discovery. On the basis of geological data developed by the Division, the Division intends to continue to explore for other gold-bearing deposits on this acreage. The Company is currently seeking the external financing required to bring these reserves into production.

The Division's right to the properties on which the discovery was made is derived mainly through unpatented lode mining claims. Except for one small area which is not included in the area containing the present discovery, there are no outstanding royalties or other interests on these properties.

The Division has numerous competitors, many of which have much greater financial and other resources than the Company. The principal methods of competition in the sale of yellow cake are price and the ability to deliver yellow cake at the time it is needed by a customer. The Division believes that it can promptly sell at market prices all of the gold the Division can produce for either present or future delivery.

The Division currently employs approximately 50 people and considers its relations with its employees satisfactory.

Shoe Parts

The Company's shoe parts business is conducted through its Brockton Sole & Plastics Division, which produces and sells polyethylene, polypropylene, nylon, leather, fiber and rubber products used principally in the manufacture of shoes. The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

Year Ended June 30	Revenues
1983	$12,730,000
1984	13,194,000
1985	11,116,000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1985 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The Division has a number of competitors, several of which have greater financial and other resources than the Division. Price is the principal method of competition in the shoe parts industry, but service and the ability to design and produce new products are also competitive factors. The raw materials used in the manufacture of the Division's products are available from a number of suppliers.

The Division employs approximately 235 people and considers its relations with its employees satisfactory.

Building Products

The Company's building products business is conducted through its Atlas Building Systems Division, which produces and sells precast concrete, prestressed concrete systems, central mixed concrete and masonry building supplies. The Division sells its products through nine commissioned and salaried salesmen. During fiscal 1985, sales to no one customer exceeded 4% of the Division's total sales, and sales to the Division's five largest customers aggregated approximately 17% of its total sales.

The revenues from the sale of the Division's products in each of the last three fiscal years are set forth in the following table:

Year Ended June 30	Revenues
1983	$14,257,000
1984	15,520,000
1985	19,230,000

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in the Company's 1985 Annual Report to Stockholders, which information is incorporated herein by reference, for a discussion of the reasons for the changes in revenues set forth above.

The construction industry is highly seasonal and, accordingly, sales of the Division normally decline during the winter months. Of the $19,230,000 in sales during fiscal 1985, approximately 56% were sales of precast and prestressed concrete, 37% were sales of central mixed concrete and 7% were sales of masonry building supplies.

The Division has numerous competitors in the sale of all of its products, the competitive factors being price, quality and service.

The Division employs approximately 150 people and considers its relations with its employees satisfactory.

Services

The service activities of the Company are conducted through its International Atlas Services Division, which is headquartered in Oakland, California. The Division owns a 55% interest in, and is the manager of, Global Associates ("Global"), a joint venture with Owl Constructors.

Global has provided "life support" services to a number of international and domestic customers, including various United States Government agencies, foreign governments and major industrial firms.

Life support services provided by Global include facility operations and maintenance, utility systems operation and maintenance, food service, housing administration and maintenance, recreation services, material procurement, traffic management, inventory control, transportation services (ground, air and marine), fire protection, security, medical and dental services, retail sales operations, and various related consulting services.

Global's current major clients include the United States Army, Navy and Department of Agriculture and the Republic of the Marshall Islands.

During fiscal 1985 Global sold its interests in a Saudi Arabian partnership, whose operations were conducted under the name of TAFGA.

In August 1982, a major contract between Global and the United States Army at the Kwajalein Missile Range in the Marshall Islands was renewed for a period of three years, with two additional one-year options exercisable by the United States Army. In February 1985, the Army exercised both options and the contract now expires September 30, 1987.

The International Atlas Services Division has numerous competitors, some of which have much greater financial and other resources than the Division. Price is the major competitive factor, and many contracts on which the Division bids are awarded pursuant to competitive bid procedures. Technical expertise, quality of performance and the reputation of a bidder also are factors in the award of such contracts.

Other

The remaining commercial operations of the Company are conducted through the Western Sky Industries Division, which manufactures and sells (i) plastic bushings and grommets used in the aircraft, automotive, agricultural, appliance, electronic and industrial equipment industries, (ii) a specialized line of metal fasteners and fittings used in the aircraft, aerospace and electronics industries and (iii) custom plastic parts for aircraft, dental, industrial and other uses. The Division has many competitors whose facilities can manufacture products similar to those produced by the Division. The principal methods of competition are price, service and the ability to design and produce new products. The Division employs eleven people and considers its relations with its employees satisfactory.

The operations of the Western Sky Industries Division are not deemed significant and, accordingly, are not segregated as a reportable industry segment.

Item 2. Properties.

The following is a summary of the location and general character of the Company's materially important properties.

Natural Resources

The Division's uranium-vanadium processing mill is located approximately four miles from Moab, Utah on Company-owned land. For information concerning the Minerals Division's sources of uranium/vanadium and gold ore, see "Natural Resources" under "Item 1. Business."

Shoe Parts

The Brockton Sole & Plastics Division operates in two Company-owned plants in Brockton, Massachusetts, one of which contains approximately 120,000 square feet of manufacturing and office space located on five acres of land, with two silos which are used for bulk raw material storage. The other plant contains approximately 30,000 square feet of manufacturing space. The Division also leases from the City of Winchester, Tennessee a plant located on 35 acres of land and containing approximately 60,000 square feet of floor space.

Building Products

The Atlas Building Systems Division conducts its principal operations at three Company-owned sites, which include 29.3 acres of land in Voorhees Township, New Jersey, on which are located its precast and prestressed concrete plants, support facilities and a one-story headquarters office building containing approximately 10,000 square feet of office space, and

6.4 acres of land in Camden, New Jersey, on which is located a central mixing concrete plant, garage and customer service department. In addition, the Division owns 45.9 acres of commercially-zoned land in Glassboro Borough, New Jersey.

Services

Global leases office space of approximately 14,100 square feet in Oakland, California and approximately 1,900 square feet in Honolulu, Hawaii.

Other

The Company owns a 7,800-square-foot office building in Princeton, New Jersey which is used as the Company's corporate headquarters. The Western Sky Industries Division operates in a Company-owned plant in Hayward, California which contains approximately 27,500 square feet of manufacturing and office space located on 1.75 acres of land.

Item 3. Legal Proceedings.

Inapplicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Inapplicable.

Item 4a. Executive Officers of the Company.

The table below includes certain information with respect to the executive officers of the Company.

Name	Position	Age	Number of Years in this Position
Edward R. Farley, Jr.	Chairman of the Board and President	66	20
Richard R. Weaver	Executive Vice President and President of the Minerals Division	50	*
John M. Devaney	Vice President-Finance, Treasurer and Assistant Secretary	56	3**
Edgar M. Masinter	Secretary	54	19

Mr. Masinter is an attorney whose professional corporation is a partner of Simpson Thacher & Bartlett, general counsel to the Company.

There are no family relationships between any of the executive officers, and there are no arrangements or understandings between any of the executive officers and any other person pursuant to which any of such officers was selected.

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* Mr. Weaver was appointed Executive Vice President of the Company effective September 1, 1985. He has been President of the Minerals Division of the Company since July 1980.

** Mr. Devaney was appointed Vice President-Finance of the Company on August 4, 1982. He has been the Treasurer of the Company since January 1981 and Assistant Secretary since 1973. He was Controller of the Company from November 1977 to January 1981 and Assistant Treasurer from 1973 to November 1977.

PART II

Item 5. Market for the Company's Common Stock and Related Stockholder Matters.

The information called for by this Item is set forth under the caption "Market Information and Dividends" in the Company's 1985 Annual Report to Stockholders and is incorporated herein by reference.

Item 6. Selected Financial Data.

The information called for by this Item is set forth under the caption "Five-Year Selected Financial Data" in the Company's 1985 Annual Report to Stockholders and is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information called for by this Item is set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's 1985 Annual Report to Stockholders and is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The information called for by this Item is contained on pages 5 through 15 of the Company's 1985 Annual Report to Stockholders and is incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

Inapplicable.

PART III

Item 10. Directors and Executive Officers of the Company.

The information called for by this Item with respect to the Company's directors is set forth under the caption "Election of Directors" in the Company's Proxy Statement for its 1985 annual meeting of stockholders. Such information is incorporated herein by reference.

The information regarding executive officers is included under Item 4a in Part I of this annual report on Form 10-K.

Item 11. Executive Compensation.

The information called for by this Item is set forth under the captions "Executive Compensation" and "Stock Options" in the Company's Proxy Statement for its 1985 annual meeting of stockholders. Such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information called for by this Item is set forth under the captions "Principal Holders of Voting Stock" and "Election of Directors" in the Company's Proxy Statement for its 1985 annual meeting of stockholders. Such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

Inapplicable.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) (1) Financial Statements:

See Index to Financial Statements and Schedules on page F-1.

(2) Financial Statement Schedules:

See Index to Financial Statements and Schedules on page F-1.

(3) Exhibits:

3.1 Certificate of Incorporation of the Company, as amended (filed as Exhibit 3.1 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

3.2 Bylaws of the Company, as amended

4 Credit Agreement dated November 10, 1982, between the Company and Manufacturers Hanover Trust Company, as amended by Amendment No. 1 thereto dated as of November 15, 1984

10.1 Atlas Corporation Management Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

10.2 Atlas Corporation 1979 Key Employee Stock Incentive Plan (filed as Exhibit 10.3 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

10.3 Supplemental Pension Agreement dated as of December 31, 1978 between the Company and Walter G. Clinchy (filed as Exhibit 10.7 to the Company's annual report on

Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

10.4 Amendment dated as of March 26, 1981 to Supplemental Pension Agreement between the Company and Walter G. Clinchy (filed as Exhibit 10.8 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1981 and incorporated herein by reference)

10.5 Amendment dated as of February 8, 1983 to Supplemental Pension Agreement between the Company and Walter G. Clinchy (filed as Exhibit 10.8 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)

10.6 Employment and Consulting Agreement dated as of December 1, 1982 between the Company and Edward R. Farley, Jr. (filed as Exhibit 10.9 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)

10.7 Supplemental Pension Agreement dated as of January 1, 1983 between the Company and Edward R. Farley, Jr. (filed as Exhibit 10.10 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)

10.8 Employment Agreement dated as of January 1, 1983 between the Company and John M. Devaney (filed as Exhibit 10.13 to the Company's annual report on Form 10-K for the fiscal year ended June 30, 1983 and incorporated herein by reference)

10.9 Employment Agreement dated as of November 1, 1982 between the Company and Richard R. Weaver.

10.10 Agreement dated as of December 22, 1983 between the Company and Public Service Electric & Gas Company (filed as Exhibit 10.14 to the Company's annual report on Form 10-K for the fiscal year ended June

30, 1984 and incorporated herein by reference)

13 1985 Annual Report to Stockholders

22 Subsidiaries of the Company

24 Consent of Independent Auditors

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Company during the last quarter of the fiscal year ended June 30, 1985.

Note concerning Exhibits: The Company will furnish copies of Exhibits to security holders of the Company upon request. The Company may charge a fee in connection with such a request, which will be limited to the Company's reasonable expenses in furnishing any such Exhibit.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ATLAS CORPORATION

By: EDWARD R. FARLEY, JR.
Edward R. Farley, Jr.
(Chairman of the Board and President)

Date: September 26, 1985

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

EDWARD R. FARLEY, JR. Edward R. Farley, Jr.	Chairman of the Board and President (principal executive officer)	September 26, 1985
JOHN M. DEVANEY John M. Devaney	Vice President-Finance and Treasurer (principal financial and accounting officer)	September 26, 1985
MICHAEL BONGIOVANNI Michael Bongiovanni	Director	September 26, 1985

<u>WALTER G. CLINCHY</u> Walter G. Clinchy	Director	September 26, 1985
<u>ANDREW DAVLIN, JR.</u> Andrew Davlin, Jr.	Director	September 26, 1985
<u>JOHN J. DWYER</u> John J. Dwyer	Director	September 26, 1985
____________________ Jerome S. Katzin	Director	September , 1985
<u>EDGAR M. MASINTER</u> Edgar M. Masinter	Director	September 26, 1985

Atlas Corporation

1985 Annual Report

Fiscal Year Ended June 30, 1985

Atlas Corporation

353 Nassau Street, Princeton, N. J. 08540
Telephone (609) 921-2000

Board of Directors

EDWARD R. FARLEY, JR.*
Chairman of the Board and President

MICHAEL BONGIOVANNI†
Consultant To
Squibb Corporation
Pharmaceutical and Health Care Products

WALTER G. CLINCHY
Retired

ANDREW DAVLIN, JR.
Chairman of the Board and Treasurer
Abalone Unlimited, Inc.
Aquacultural Company

JOHN J. DWYER*†
Partner, Thompson, Hine & Flory
Attorneys

JEROME S. KATZIN†
Advisory Director
Shearson Lehman Brothers Inc.
Investment Bankers

EDGAR M. MASINTER*
Attorney whose professional corporation is a partner of Simpson Thacher & Bartlett

* *Member of the Executive Committee*
† *Member of the Audit Committee*

Officers

EDWARD R. FARLEY, JR.
Chairman of the Board and President

RICHARD R. WEAVER
Executive Vice President
and President of the Minerals Division

JOHN M. DEVANEY
Vice President-Finance
and Treasurer and Assistant Secretary

EDGAR M. MASINTER
Secretary

Transfer Agent and Registrar

Manufacturers Hanover Trust Company
P.O. Box 24935
Church Street Station, N. Y. 10249

Common Stock and Option Warrants

Counsel

Simpson Thacher & Bartlett
One Battery Park Plaza, New York, N. Y. 10004

Auditors

Ernst & Whinney
153 East 53rd Street, New York, N. Y. 10022

10-K Report

A copy of the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission will be provided to stockholders without charge upon written request to the Treasurer, Atlas Corporation, 353 Nassau Street, Princeton, N. J. 08540

To the Stockholders of Atlas Corporation:

In its fiscal year 1985, which ended on June 30, 1985, Atlas Corporation had a net loss of $4,554,000, or $1.54 per share, compared to a net loss of $3,891,000, or $1.31 per share, in the prior fiscal year. The net loss for fiscal 1984 was after a credit for reduction in income taxes of $2,314,000. There was no such addition to income for fiscal 1985. Revenues for fiscal 1985 were $39,056,000 compared to $41,453,000 for fiscal 1984.

The Company's net loss in fiscal 1985 resulted mainly because it made only one sale and delivery of U308 in concentrate (hereafter "U308") during that year, while it continued to incur the expense involved in keeping its Moab, Utah uranium and vanadium processing plant and the mines which provide the ores for it on temporary shut-down.

The Company still has in inventory U308 which is available for sale. The price for U308 has started to move up. After hitting a low of $14.25 per pound on May 1, 1985, it has risen over the last few months and on September 1, 1985 it reached $16.00 per pound. It currently appears that that price will move up further in the next few months.

THE OUTLOOK FOR FISCAL 1986

At this time Management cannot predict whether the Company will achieve profits in its fiscal year 1986. The price levels of U308 and the Company's ability to sell all or some of its current inventory of U308 will be the most important factors in determining that. Also, the success of Management's efforts to bring the Company's gold-bearing ore reserves in its Gold Bar properties in Nevada into production in fiscal 1986 will have a strong bearing on whether the Company will operate profitably in its fiscal year 1986. It currently appears that, apart from its Minerals Division, each of the Company's other four Divisions will be profitable and, in total, will achieve profits at least commensurate with those they achieved in fiscal 1985.

THE OUTLOOK FOR U308 IN CONCENTRATE

The number of nuclear power plants licensed to operate in this country continues to increase, just as that number does throughout the world, and nuclear power is now the second largest source of electricity in the United States. It has passed oil, natural gas and hydro power as sources of electricity and is only exceeded by coal. At this time 94 nuclear power plants are licensed to operate in the United States, and 87 of these are in full operation. They provide more than 15% of our nation's electricity. In fact, the amount of electricity generated by nuclear power in the United States in 1984 equaled the total amount of electricity generated by our entire electric power supply system in 1950. In four of our States nuclear power already provides more than 50% of the total electricity generated, these being Vermont, Maine, Connecticut and South Carolina. Approximately 90% of the population of the continental United States is served by nuclear electric power, either directly by a plant operated by the local utility or indirectly by electric power purchases and pooling. By 1990 there will be about 120 nuclear power plants operating in this country, and they will generate almost 20% of our electricity. Also, by that year there will be approximately 375 nuclear power plants operating throughout the world. The supplying of electricity by nuclear power is here to stay.

However, because of the depressed state of the market and price for U308, domestic producers of that product have continued to leave the industry. Most of them will never come back. One of the major reasons for this situation, if not the major reason, is that in the last two and a half years or so, almost without exception, all purchases of U308 by domestic utilities have been of U308 produced abroad.

To put this situation in perspective, the following facts should be noted:

a. Currently, domestic utilities require approximately 33 million pounds of U308 annually to fuel their nuclear power plants. This annual requirement will grow to more than 40 million pounds by 1990.

b. In 1980 the domestic uranium producing industry produced over 43 million pounds of U308. Since that peak production year, domestic production has fallen significantly in each year thereafter, so that in calendar 1985 domestic production of U308 will aggregate only about 8.5 million pounds, or less.

c. Without some action by our Federal Government or one of its branches giving the domestic uranium producing industry some protection against foreign imports, this situation will not improve and, within two years or less, there will be no domestic uranium producing industry left in this country.

d. While some foreign countries, notably Canada in the Province of Saskatchewan, can produce U308 at costs lower than those of the domestic uranium producing industry, because the grades of their ores are higher than ours, those foreign producers also benefit substantially from the subsidization of their uranium producers by their government. This subsidization has taken such forms as interest-free loans, advance payments on contracts to purchase U308 and the contribution of government-owned U308 to sellers of U308. Our domestic uranium producing industry receives no such subsidization or help from our Government, and it is impossible for domestic uranium producers to meet this kind of competition.

At long last, those few of us who remain in the domestic uranium producing industry seem to be achieving some success in making the members of Congress, the current Federal Administration and the domestic utilities which have nuclear power plants aware of all this. Unless some help is provided to the domestic uranium producing industry within a relatively short time, this nation will again, as in 1973 when the Arab embargo on oil was imposed, be depending on foreign sources for the base product required to produce 15% or more of our current domestic production of electricity and for our defense needs for U308 for both our weapons program and our nuclear-fueled naval ships and submarines. The lack of wisdom in this approach is obvious, and the danger that there will again be formed a foreign cartel as to the marketing and price of uranium, as existed some years ago, will grow into reality. Once that happens, our domestic utilities with nuclear plants, as well as our Department of Defense, will face not only a market for needed products which is dominated by foreign producers and governments, but the inevitable higher prices for U308 which those foreign producers and governments will impose when they have such control of the market for this product.

The Company and some of the other domestic producers of U308 are continuing to make strong efforts to have our Federal Government take steps to provide some protection for our industry against foreign competition. In fiscal 1985 the Company, along with other domestic producers of U308, formed a new organization called the "Uranium Producers of America" (UPA). Its purpose is three-fold:

1. To obtain some appropriate protection for the domestic uranium producing industry against foreign imports, including a requirement that uranium purchased by the Federal Government and all of its Agencies, including the Department of Defense and the Tennessee Valley Authority, be only from domestic production.

2. To have enacted legislation which would allocate the cost of decommissioning uranium plants and stabilizing their tailings ponds on an equitable basis among the owners of those plants, the Federal and State Governments and the owners of domestic nuclear utilities.

3. To require the Department of Energy to conduct its business and operate its uranium enrichment plants under policies and in a manner which would not be adverse to and in competition with the private domestic uranium producing industry.

Legislation to achieve the above goals has been or will be introduced in Congress, and the UPA will exert maximum efforts to achieve their passage.

In addition, Company Management and the members of the UPA believe that under the law now in existence, specifically the Atomic Energy Act of 1954, as amended, domestic producers of U308 are entitled to protection against imports of foreign uranium under current circumstances, those circumstances being that the domestic uranium producing industry is not viable. The Secretary of Energy is required under the law to make a determination annually as to the viability of our industry. A study of the viability of our industry as at December 31, 1984 has been underway at the Department of Energy throughout calendar 1985. A determination on that matter of viability has been promised by that Department since May, but the date for announcement of that determination has been reset four or five times since then. Issuance of that determination on September 23, 1985 has now been promised. It is impossible for the members of the UPA to understand how that determination could be anything other than that our industry is not viable.

In addition to the above legislative efforts to achieve help for our industry, the UPA is supporting litigation brought by three domestic uranium producers against the Department of Energy in the Federal District Court in Denver on these matters of viability and the obligations of the Department of Energy under current law to help our industry. That court has just granted a motion by the plaintiffs and has declared null and void a new form of contract entered into by the Department of Energy with many domestic and several foreign nuclear utilities since January 1, 1985. The meaning and impact of this decision is still being assessed by counsel for the plaintiffs, the Company's counsel, the Department of Energy and domestic and foreign nuclear utilities. It seems clear that this decision will have a major impact on the domestic nuclear energy industry. The exact nature of the impact should be determined shortly, but it appears that the decision will be helpful to the domestic uranium producing industry.

The Company is also supporting strongly the enactment of legislation which would reduce the over-burdensome rules and regulations currently applicable to the construction of domestic nuclear power plants which stretch out unnecessarily the time required to construct such plants and the increased costs which such stretch-outs entail. Bills to achieve those goals have also been introduced in Congress, and Company Management believes that one or more of them will be passed. Success in these efforts should be beneficial to the Company and its future.

COMPANY OPERATIONS

The Company has five Divisions, one of which is in the natural resources business, three in manufacturing businesses and one in the services business. Details covering the operations of these Divisions are as follows:

Natural Resources

ATLAS MINERALS DIVISION

The Atlas Minerals Division has an executive office in Grand Junction, Colorado, a uranium operations office in Moab, Utah, and a precious metals operations office in Reno, Nevada.

The main business of the Division is selling U308 and vanadium pentoxide produced by processing in the Company's Moab plant Company owned and controlled uranium ores and ores bought from others. In fiscal 1985 the Division sold only 135,000 pounds of U308. It also sold 1,028,000 pounds of vanadium pentoxide, and its inventory of vanadium pentoxide has been sold out.

While, as stated above, the Company's Moab uranium and vanadium processing plant and the mines which feed it continue on a stand-by basis, it is believed that the mill and mines can be brought back into production within six to eight weeks of a decision to reactivate and reopen them. Studies as to the feasibility and economics of mining the Farley uranium and vanadium deposit in Utah and to build a plant to process the ores involved are complete. Any decision to begin to effectuate such plans is contingent on the future state of the market and price for U308.

On the basis of independently calculated geological estimates, the Company believes that the gold-bearing ore reserves on its Gold Bar properties in Nevada contain approximately 300,000 ounces of economically recoverable gold at an approximate grade of .10%. The ore begins in some places at a depth of 5 feet below the surface and has varying thicknesses of up to 265 feet. It is believed that this ore can be mined and processed profitably at an estimated price of $250 per ounce of gold. The current market price for an ounce of gold is approximately $325. Feasibility and economic studies have been completed concerning the mining of these reserves and the construction of a plant to process them and produce gold. The Company is seeking to obtain financing for putting the Gold Bar ore body into production with the goal that such production might be achieved as soon as possible in 1986.

The Company will also continue to explore for other gold-bearing reserves on the Gold Bar properties and to explore for and attempt to acquire other properties bearing precious metals.

The Minerals Division sales were lower in fiscal 1985 than they were in fiscal 1984 because it sold fewer pounds of U308, and vanadium pentoxide than it did in the prior fiscal year. The Division operated at a loss before income taxes in fiscal 1985, but that loss was less than in the prior fiscal year. As stated above, the Division's performance as to both sales and profits in fiscal 1986 will be determined to some degree by its ability to bring the Gold Bar property into production in that fiscal year and by its ability to make sales of U308 at profitable prices.

Manufacturing

ATLAS BUILDING SYSTEMS DIVISION

The Atlas Building Systems Division (formerly called the Camden Lime Company Division) produces precast concrete, prestressed concrete systems and central mixed concrete at three plants in New Jersey. It also sells masonry building supplies. It markets its products in New York, New Jersey, Delaware and Pennsylvania.

In fiscal 1985 the Division had an excellent year and achieved the highest sales and profits in its history. It is currently expected that the Division will have another fine year in fiscal 1986.

BROCKTON SOLE & PLASTICS DIVISION

The Brockton Sole & Plastics Division produces plastic, molded fiber, leather and rubber products, mainly for the shoe industry and the sporting goods industry. It has two plants in Massachusetts and one in Tennessee. In fiscal 1985 sales of the Division were lower than in the prior fiscal year, and the Division achieved only a very small profit. While it is currently expected that the Division will achieve higher sales and profits in fiscal 1986 than in fiscal 1985, because the market for the Division's major products is the domestic shoe industry, the fortunes of the Division in fiscal 1986 will be determined largely by the success of the domestic shoe industry's efforts to obtain protection against the importation of foreign-produced shoes.

WESTERN SKY INDUSTRIES DIVISION

The Western Sky Industries Division manufactures at its plant in Hayward, California, plastic and metal products used widely in the aircraft and automotive industries, as well as in other industries.

The Division's sales and profits in fiscal 1985 were both higher than they were in fiscal 1984, because of the improvement in both the domestic automotive and aircraft industries. It is currently expected that the Division's sales and profits will again be higher in fiscal 1986.

Services

INTERNATIONAL ATLAS SERVICES DIVISION

The services business of the Company is conducted by its International Atlas Services Division headquartered in Oakland, California.

The principal asset of this Division is its 55% interest in Global Associates (Global), a joint venture in which the Division is the managing venturer.

Global is a leader in the business of providing "life support" services, which include food services, housing administration and maintenance, medical and dental services, transportation (air, sea and land), facility operations and maintenance, fire protection, recreation services and security services.

Global provides such services under contracts to domestic and international customers, both governmental and private. Major customers include the U.S. Army, the U.S. Navy, the U.S. Department of Agriculture and the Republic of the Marshall Islands.

Under its major contract Global provides support services to the U.S. Army at the Kwajalein Missile Range in the Marshall Islands. The latest contract was for an initial period of three years ending September 30, 1985 with options exercisable by the U.S. Army to extend the contract for two one-year periods. The U.S. Army exercised both options in February 1985, and the contract now runs until September 30, 1987.

In fiscal 1985 Global sold its interest in a Saudi Arabian partnership which provided services in Saudi Arabia under the name of TAFGA.

Global's headquarters are also in Oakland, California. It has branch offices in Honolulu, Hawaii and at operating sites in South Carolina and Pennsylvania.

The International Atlas Services Division had higher profits in fiscal 1985 than it did in the prior fiscal year. It is currently expected that the Division's profits in fiscal 1986 will again be higher than they were in fiscal 1985.

General

Effective September 1, 1985, Mr. Richard R. Weaver was elected Executive Vice President of the Company. Mr. Weaver joined the Company as President of its Minerals Division in 1980, having previously managed exploration for base metals deposits, precious metals deposits and uranium deposits in the United States for Exxon Minerals Company, USA. Mr. Weaver will continue as President of the Company's Minerals Division to oversee the completion of planning to bring the Gold Bar properties into production.

The annual meeting of the stockholders of the Company will be held in New York, New York, at 9:30 a.m. on November 6, 1985. Details concerning the meeting are contained in the notice of that meeting and the related proxy statement, both of which are being mailed to you along with this report.

Edward R. Farley Jr.

EDWARD R. FARLEY, JR.
Chairman of the Board
and President

September 23, 1985

Atlas Corporation and its Subsidiaries

Consolidated Statements of Operations and Retained Earnings

For the years ended June 30

	1985	1984	1983
Revenues:			
Sales	$ 35,636,000	$35,853,000	$87,071,000
Service contract fees earned	1,837,000	1,302,000	3,123,000
Interest and other income	1,583,000	4,298,000	3,872,000
	39,056,000	41,453,000	94,066,000
Costs and expenses:			
Cost of sales	32,305,000	32,234,000	46,867,000
Depreciation, depletion and amortization	794,000	3,624,000	5,338,000
Exploration and prospecting costs	1,878,000	2,492,000	2,374,000
Selling, general and administrative expenses	7,583,000	8,098,000	11,381,000
Interest expense	55,000	312,000	373,000
Other	277,000	314,000	58,000
	42,892,000	47,074,000	66,391,000
Income (loss) before minority interests, income taxes and extraordinary credit	(3,836,000)	(5,621,000)	27,675,000
Minority interests	718,000	584,000	1,091,000
Income (loss) before income taxes and extraordinary credit	(4,554,000)	(6,205,000)	26,584,000
Provision for (reduction in) income taxes	—	(2,314,000)	10,627,000
Income (loss) before extraordinary credit	(4,554,000)	(3,891,000)	15,957,000
Extraordinary credit—utilization of tax loss carryforwards	—	—	3,400,000
Net income (loss)	(4,554,000)	(3,891,000)	19,357,000
Retained earnings at beginning of year	57,670,000	63,041,000	45,164,000
	53,116,000	59,150,000	64,521,000
Cash dividends on common stock	—	1,480,000	1,480,000
Retained earnings at end of year	$ 53,116,000	$57,670,000	$63,041,000
Income (loss) per share of common stock:			
(based on weighted average number of shares outstanding during year)			
Income (loss) before extraordinary credit	$(1.54)	$(1.31)	$5.39
Extraordinary credit—utilization of tax loss carryforwards	—	—	1.15
Net income (loss)	$(1.54)	$(1.31)	$6.54

See notes to consolidated financial statements.

Atlas Corporation and its Subsidiaries

Consolidated Balance Sheets

June 30

Assets	1985	1984
Current assets:		
Cash and short-term investments	$ 4,772,000	$ 8,798,000
Trade accounts receivable, less allowance for doubtful accounts of $992,000 in 1985 and $1,060,000 in 1984	12,285,000	9,807,000
Other accounts receivable	797,000	667,000
Inventories	28,483,000	35,408,000
Prepaid expenses and other current assets	1,444,000	1,164,000
Total current assets	47,781,000	55,844,000
Investment in affiliate	—	975,000
Property, plant and equipment:		
Mining	59,653,000	65,379,000
Milling	33,044,000	32,488,000
Manufacturing	10,714,000	11,345,000
	103,411,000	109,212,000
Less, Accumulated depreciation, depletion and amortization	56,057,000	63,249,000
	47,354,000	45,963,000
Other assets	750,000	491,000
	$ 95,885,000	$103,273,000

Liabilities	1985	1984
Current liabilities:		
Note payable to bank	$ 600,000	$ 650,000
Trade accounts payable	2,560,000	3,505,000
Other accrued liabilities	6,928,000	6,258,000
Drillers' fees payable, current maturity	—	50,000
Total current liabilities	10,088,000	10,463,000
Drillers' fees payable	—	2,422,000
Other liabilities, long-term	4,241,000	3,835,000
Minority interests	2,234,000	2,686,000
Stockholders' Equity		
Common Stock, par value $1 per share; authorized 6,000,000 shares, issued and outstanding 2,960,488 shares in 1985 and 2,959,807 in 1984	2,960,000	2,960,000
Capital in excess of par value	23,253,000	23,244,000
Retained earnings	53,116,000	57,670,000
Less, Common Stock in treasury, at cost, 231 shares	7,000	7,000
Total stockholders' equity	79,322,000	83,867,000
	$ 95,885,000	$103,273,000

See notes to consolidated financial statements.

Atlas Corporation and its Subsidiaries

Consolidated Statements of Changes in Financial Position

For the years ended June 30

	1985	1984	1983
Working capital provided:			
From operations:			
Income (loss) before extraordinary credit	$(4,554,000)	$ (3,891,000)	$15,957,000
Charges (credits) not affecting working capital:			
Depreciation, depletion and amortization	794,000	3,624,000	5,338,000
Deferred federal income taxes	—	(2,501,000)	5,901,000
Increase (decrease) in minority interests	(452,000)	(442,000)	643,000
Total from operations	(4,212,000)	(3,210,000)	27,839,000
Cost of property, plant and equipment sold	167,000	85,000	117,000
(Increase) decrease in investment in affiliate	975,000	1,505,000	(202,000)
Increase (decrease) in drillers' fees payable	—	700,000	(829,000)
Increase in other liabilities, long-term	406,000	152,000	196,000
Stock issuance due to exercise of options	9,000	—	—
Total working capital provided	$(2,655,000)	$ (768,000)	$27,121,000
Working capital used:			
Additions to property, plant and equipment	$ 4,774,000	$ 3,248,000	$ 3,028,000
Increase (decrease) in other assets	259,000	112,000	(91,000)
Dividends on common stock	—	1,480,000	1,480,000
Increase (decrease) in working capital (as below)	(7,688,000)	(5,608,000)	22,704,000
Total working capital used	$(2,655,000)	$ (768,000)	$27,121,000
Working Capital Changes			
Current assets:			
Cash and short-term investments	$(4,026,000)	$ (20,708,000)	$23,454,000
Trade accounts receivable	2,478,000	369,000	895,000
Other accounts receivable	130,000	90,000	(1,180,000)
Inventories	(6,925,000)	6,885,000	(1,220,000)
Prepaid expenses and other current assets	280,000	(78,000)	180,000
Net increase (decrease)	(8,063,000)	(13,442,000)	22,129,000
Current liabilities:			
Notes payable to banks	(50,000)	650,000	—
Trade accounts payable	(945,000)	534,000	(2,362,000)
Other accrued liabilities	670,000	(7,356,000)	2,812,000
Drillers' fees payable, current maturity	(50,000)	(1,662,000)	(1,025,000)
Net decrease	(375,000)	(7,834,000)	(575,000)
Increase (decrease) in working capital	$(7,688,000)	$ (5,608,000)	$22,704,000

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Accounting Policies

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries.

Inventories—Ores and concentrates are stated at the lower of cost, principally average, or market; manufacturing inventories are stated at the lower of first-in, first-out cost or market.

Property, Plant and Equipment—Stated at cost, less accumulated depreciation, depletion and amortization. Depreciation at all manufacturing facilities is calculated by the straight-line method. Depreciation of milling facilities and depletion and amortization of mining properties are determined by the units of production method. Leasehold improvements are amortized on the straight-line basis over the terms of related leases.

Expenditures for maintenance and repairs are charged to income as incurred. Expenditures for additions, improvements, replacements, betterments and major renewals are added to the property, plant and equipment accounts. The cost of assets retired, or otherwise disposed of, and related accumulated depreciation are eliminated from the accounts and any related gain or loss is reflected in the consolidated statements of operations and retained earnings.

The investment tax credit available to the Company is applied against the current tax provision in the year it is usable on a book basis.

Employee Retirement Plans—The Company has several trusteed and insured retirement plans covering substantially all permanent employees for which the Company provides the trusteeship and management. Required contributions to these plans of $601,000, $680,000 and $468,000 in fiscal years 1985, 1984 and 1983 respectively, including the amortization of the unfunded past service costs of $273,000, $289,000 and $89,000 in fiscal years 1985, 1984 and 1983 respectively, are charged to income and funded currently.

The total unfunded past service costs during fiscal years 1984 and 1983 were $1,665,000 and $1,886,000 respectively. These costs are being amortized over twenty years, utilizing a 6% interest rate. The actuarial present value of accumulated plan benefits and net plan assets of the Company's pension plans as of the most recent valuation dates are as follows:

	June 30, 1984	June 30, 1983
Actuarial present values of accumulated plan benefits:		
Vested	$5,261,000	$5,075,000
Nonvested	348,000	169,000
	$5,609,000	$5,244,000
Net assets available for plan benefits	$5,221,000	$4,103,000

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 8% for both fiscal years 1984 and 1983.

Effective January 1, 1983, the Company's 1978 Retirement Plan was amended to increase future annual pension benefits. The Plan's actuary estimates that the effect of the amendments on the actuarial present value of accumulated plan benefits at June 30, 1983 was an increase of approximately $1,331,000 primarily attributable to an increase in vested benefits.

Employee Incentive Plans—Market value increases and decreases above the option price of stock appreciation rights under the 1979 Key Employee Stock Incentive Plan are charged or credited to earnings in the period of increase or decrease. See Note 6.

Exploration—Costs incurred in the search for new mining operations are charged to income when incurred.

Reclamation Expense—In connection with the renewal of a license to operate its Moab, Utah mill, the Company is obligated to stabilize and reclaim its mill tailings pond. Reclamation will take place after the mill is permanently shut down. Reclamation costs are amortized by the units of production method and are calculated using a rate based on total estimated reclamation costs, and estimates of recoverable reserves. There was no reclamation expense charged in fiscal 1985 due to the mill shutdown; such expense charged in 1984 was $39,000 and $464,000 in fiscal 1983.

2. Notes Payable to Banks

The Company has a $10,000,000 revolving credit agreement with Manufacturers Hanover Trust Company which expires on November 15, 1985. There are alternative methods of computing interest under this agreement—the maximum of which is the reference rate as publicly announced from time to time by Manufacturers Hanover Trust Company. The Company may not pay cash dividends on its common stock in any fiscal year in excess of $4,000,000 without consent of the bank. There were no borrowings during fiscal year 1985 under this agreement.

A subsidiary of the Company has a $2,500,000 line of credit with another bank which expires on January 31, 1986. Borrowings against this line bear interest at that bank's prime interest rate with a compensating balance requirement of 10% of the committed line and actual borrowings. The amount of such borrowings was $600,000 at June 30, 1985, and $650,000 at June 30, 1984.

There were no notes payable by the Company to banks during fiscal year 1985 or 1984 other than those mentioned above.

3. Inventories

Inventories consist of the following:

	June 30, 1985			June 30, 1984		
	Natural Resources	Manu-facturing	Total	Natural Resources	Manu-facturing	Total
Raw materials	$ 4,316,000	$1,032,000	$ 5,348,000	$ 4,316,000	$1,332,000	$ 5,648,000
Work in process	425,000	205,000	630,000	425,000	199,000	624,000
Finished goods	19,541,000	678,000	20,219,000	25,898,000	921,000	26,819,000
Other	2,280,000	6,000	2,286,000	2,310,000	7,000	2,317,000
	$26,562,000	$1,921,000	$28,483,000	$32,949,000	$2,459,000	$35,408,000

4. Drillers' Fees Payable

"Drillers' fees payable" in the Consolidated Balance Sheets as of June 30, 1984 represented the estimated amount owed to certain contract drillers under an agreement for services performed in connection with the development of certain unpatented mining claims owned by the Company. The estimated liability that is in excess of the actual liability has been reversed and a corresponding reduction has been made to capitalized development expense.

5. Stockholders' Equity

The Company is authorized to issue 1,000,000 shares of Series Preferred Stock, par value $1.00, issuable in series, with designations, rights and preferences to be fixed by the Board of Directors at the time of the issuance. No shares of this class of preferred stock have been issued.

During the three years ended June 30, 1985, 1,004,506 shares of the Company's common stock were reserved for option warrants to purchase, at any time, common stock at $31.25 per share.

There were no changes in value of common stock, capital in excess of par value or treasury stock during the two years ended June 30, 1984. During fiscal year 1985, 681 common shares were issued as a result of the exercise of an employee stock option and $9,000 was credited to capital in excess of par value.

6. Employee Incentive Plans

On November 20, 1979, the stockholders of the Company approved the 1979 Key Employee Stock Incentive Plan (the Plan), which provides that key employees may be granted options to purchase an aggregate of 145,000 shares of common stock at the fair value of the shares on the date of grant. Through June 30, 1985, 128,500 options had been granted under the Plan. Options may become exercisable beginning one year after the date of grant and are exercisable for a maximum term of ten years from the date of grant. No options may be granted after December 31, 1989.

Under the terms of the Plan, options granted include stock appreciation rights which allow the holder to receive the value of the difference between the exercise price and the fair market value of the stock at the date of exercise. Under the Plan, the options and appreciation rights are granted in tandem form whereby the exercise of one cancels the other. The value of the appreciation rights may be received, at the optionee's election, either in shares of common stock or up to 50% in cash and the remainder in shares of common stock.

On January 3, 1980, options to purchase 72,000 shares of common stock were granted at an exercise price of $17.50 per share, of which 10,000 shares have been cancelled; on October 15, 1980, options to purchase 7,000 shares of common stock were granted at an exercise price of $17.125 per share; on September 28, 1981, options to purchase 39,500 shares of common stock were granted at an exercise price of $11.00 per share; and on January 5, 1983, options to purchase 10,000 shares of common stock were granted at an exercise price of $19.50 per share. The exercise prices are equal to the market value of the common stock on the date of grant. At June 30, 1985, 113,500 options were outstanding of which 110,116 options were exercisable in connection with the Plan; during fiscal year 1985 5,000 options were exercised at $11.00 per share and no options were exercised during fiscal years 1984 or 1983. In connection with the Plan, in fiscal year 1983, $850,000 was charged to income; in fiscal year 1984, $741,000 was credited to income; and in fiscal year 1985, $15,000 was credited to income.

The Company files a consolidated federal income tax return. For the purpose of computing income subject to federal income taxes, the Company is allowed statutory depletion deductions in excess of those computed for financial reporting purposes. The Company also uses accelerated depreciation methods and had previously deducted development expenses for federal income tax purposes. Accordingly, at June 30, 1985, the Company had substantial tax operating loss carryforwards. The book loss carryforwards of approximately $6,100,000 expire in 1999 and 2000, and the tax loss carryforwards expire in 1994 through 2000 if not previously utilized.

At June 30, 1985, the Company had a book investment credit carryforward of approximately $280,000 and substantial investment credit carryforwards for tax purposes. These investment credit carryforwards expire ratably from 1989 through 2000 if not previously utilized. When the tax operating loss and investment credit carryforwards in excess of the book amounts are used, the resulting benefits will be credited to deferred federal income taxes.

7. Income Taxes

	1985	1984	1983
The components of the provision for (reduction in) income taxes are as follows:			
Federal:			
Currently payable	-	$ 73,000	$ 4,000,000
Deferred	-	(2,501,000)	5,901,000
State	-	156,000	299,000
Foreign	-	(42,000)	427,000
	-	$(2,314,000)	$10,627,000

The principal factor contributing to the provision for deferred federal income taxes for fiscal year 1983 is deferred mine development costs.

	% to Pretax		
	1985	1984	1983
Reconciliation of the provision for income taxes:			
Provision for (reduction in) income taxes at statutory rate	(46)	(46)	46
Increase (decrease) in rate resulting from:			
Excess of statutory depletion over book amounts	-	-	(24)
Federal minimum tax	-	-	15
Increase in rate resulting from limitation on carryback of operating loss	46	7	-
Other	-	2	3
	-	(37)	40

8. Quarterly Financial Data (Unaudited)

	Three Months Ended				
	1984		1985		
	September 30	December 31	March 31	June 30	Total
Sales	$ 8,216,000	$ 7,693,000	$10,849,000	$ 8,878,000	$35,636,000
Operating profit (loss) before deducting depreciation, depletion and amortization	(1,056,000)	(1,119,000)	(299,000)	(568,000)	(3,042,000)
Depreciation, depletion and amortization	171,000	181,000	167,000	275,000	794,000
Net (loss)	(1,292,000)	(1,518,000)	(650,000)	(1,094,000)	(4,554,000)
Per share data:					
Net (loss)	$(.44)	$(.51)	$(.22)	$(.37)	$(1.54)

The Company provided inventory reserves of $290,000 in the second quarter and $125,000 in the third quarter as a result of the market value of uranium being below the Company's cost. The income of the second quarter was reduced by $42,000 and the income of the fourth quarter was increased $57,000 as a result of provisions and reversals required in connection with the 1979 Key Employee Stock Incentive Plan.

	Three Months Ended				
	1983		1984		
	September 30	December 31	March 31	June 30	Total
Sales	$ 6,668,000	$ 9,765,000	$ 9,749,000	$ 9,671,000	$35,853,000
Operating profit (loss) before deducting depreciation, depletion and amortization	(101,000)	721,000	(1,227,000)	(1,390,000)	(1,997,000)
Depreciation, depletion and amortization	857,000	1,402,000	968,000	397,000	3,624,000
Net (loss)	(742,000)	(384,000)	(1,250,000)	(1,515,000)	(3,891,000)
Per share data:					
Net (loss)	$(.25)	$(.13)	$(.42)	$(.51)	$(1.31)

The Company provided inventory reserves of $1,120,000 in the second quarter and $1,148,000 in the fourth quarter as a result of the market value of uranium being below the Company's cost. The income of the second, third and fourth quarters was increased by $652,000, $53,000 and $36,000, respectively, as a result of the reversal of provisions recorded in prior years in connection with the 1979 Key Employee Stock Incentive Plan.

The Company's sales and income for the periods set forth are not necessarily indicative of the results for any future period because revenues and profits from sales of uranium in concentrate vary significantly between periods depending upon the Company's ability to make sales and the delivery schedules, quantities and sales prices involved.

9. Industry Segment Information

	Natural Resources (Note b)	Shoe Parts	Building Products	Service (Note c)	Other (Note a)	Total
Year ended June 30, 1985						
Revenue from unaffiliated customers	$ 3,904,000	$11,116,000	$19,526,000	$ 2,126,000	$ 2,384,000	$ 39,056,000
Income (loss) before income taxes	(6,296,000)	20,000	1,769,000	839,000	(886,000)	(4,554,000)
Depreciation, depletion and amortization	36,000	306,000	261,000	132,000	59,000	794,000
Capital expenditures	4,436,000	219,000	72,000	18,000	29,000	4,774,000
Assets as of June 30, 1985						
Identifiable	$68,910,000	$ 5,232,000	$ 7,870,000	$ 8,672,000	$ 1,181,000	$ 91,865,000
Corporate	—	—	—	—	4,020,000	4,020,000
	$68,910,000	$ 5,232,000	$ 7,870,000	$ 8,672,000	$ 5,201,000	$ 95,885,000
Year ended June 30, 1984						
Revenue from unaffiliated customers	$ 7,519,000	$13,194,000	$15,758,000	$ 1,796,000	$ 3,186,000	$ 41,453,000
Income (loss) before income taxes	(8,665,000)	687,000	970,000	705,000	98,000	(6,205,000)
Depreciation, depletion and amortization	2,894,000	328,000	214,000	131,000	57,000	3,624,000
Capital expenditures	2,716,000	205,000	112,000	181,000	34,000	3,248,000
Assets as of June 30, 1984						
Identifiable	$73,585,000	$ 5,698,000	$ 6,897,000	$ 8,175,000	$ 1,180,000	$ 95,535,000
Corporate	—	—	—	—	7,738,000	7,738,000
	$73,585,000	$ 5,698,000	$ 6,897,000	$ 8,175,000	$ 8,918,000	$103,273,000
Year ended June 30, 1983						
Revenue from unaffiliated customers	$60,187,000	$12,730,000	$14,431,000	$ 3,129,000	$ 3,589,000	$ 94,066,000
Income (loss) before income taxes and extraordinary credit	25,422,000	953,000	598,000	1,215,000	(1,604,000)	26,584,000
Extraordinary credit—utilization of tax loss carryforwards	—	—	—	—	3,400,000	3,400,000
Depreciation, depletion and amortization	4,637,000	339,000	213,000	91,000	58,000	5,338,000
Capital expenditures	2,528,000	178,000	146,000	158,000	18,000	3,028,000
Assets as of June 30, 1983						
Identifiable	$66,787,000	$ 6,259,000	$ 5,822,000	$10,815,000	$ 1,163,000	$ 90,846,000
Corporate	—	—	—	—	27,723,000	27,723,000
	$66,787,000	$ 6,259,000	$ 5,822,000	$10,815,000	$28,886,000	$118,569,000

Note a—In the opinion of the Company, it is not practical to allocate corporate income and expense to the various industry segments except on an arbitrary basis.

	1985	1984	1983
Note b—Revenue from Significant Customers:			
Public Service Electric & Gas Company	$3,780,000	$ —	$ —
Boston Edison Company	$ —	$5,933,000	$ —
Georgia Power Company	$ —	$ —	$47,657,000
Note c—Unconsolidated Affiliate of Global Associates net of minority interests:			
Geographic Location: Saudi Arabia			
Equity in the net income (loss)	$ —	$ (24,000)	$ 287,000
Investment in the net assets	$ —	$ 536,000	$ 1,364,000

10. Details of Certain Balance Sheet Captions

Other accrued liabilities include $1,398,000 in fiscal year 1985 and $1,361,000 in fiscal year 1984 related to accrued compensation, $420,000 in fiscal year 1985 and $828,000 in fiscal year 1984 related to accrued pension, and $1,020,000 in fiscal year 1985 and $971,000 in fiscal year 1984 related to accrued insurance reserves.

Other liabilities, long-term includes $2,198,000 in fiscal year 1985 and 1984 related to a surety agreement and $1,194,000 in fiscal year 1985 and $991,000 in fiscal year 1984 related to accrued liability for supplemental pension benefits for certain employees.

11. Mineral Reserve and Price Information (Unaudited)

The following information has been presented in accordance with the Statements of Financial Accounting Standards Board regarding "Financial Reporting and Changing Prices: Specialized Assets—Mining and Oil and Gas" in an effort to help readers assess the amounts, timing, and uncertainties of future cash flows to companies from mining activities. The FASB has characterized this disclosure requirement as experimental in nature. Therefore, the information is not intended to reflect the current values or changes in the current values of mineral reserves.

	June 30,				
	1985	1984	1983	1982	1981
Mineral Reserve Data:					
Proved ore-bearing properties (Grade range—0.08% to 0.56% per ton of U308) in tons	4,195,000	4,195,000	3,335,000	2,172,000	2,433,000
Uranium in concentrate in pounds					
Production	—	821,000	1,333,000	1,889,000	1,829,000
Sales	135,000	308,000	1,386,000	1,666,000	1,490,000
Average market price	$28.00	$19.30	$42.62	$44.46	$36.94
Vanadium pentoxide in pounds					
Production	—	2,204,000	2,829,000	3,179,000	2,361,000
Sales	1,028,000	2,783,000	1,405,000	3,506,000	2,289,000
Average market price	$ 2.42	$ 2.36	$ 3.06	$ 3.40	$ 3.09

In some cases there are outstanding royalty and other interests which increase the costs of production from the Company's reserves. While there are certain claims of third parties which could reduce the rights of the Company in certain of its reserves, the Company believes it has substantially more than a majority interest in all of its principal properties.

The amount and grade of the ore reserves referred to above were computed using sample data obtained at underground workings within developed ore bodies and by using radiometric and chemical data from holes drilled from the surface. Correlation with actual uranium concentration has been established, to the extent possible, by chemical assay and by the amount of U308 contained in ore tonnage processed to date by the Company's mill. The extent to which such ore reserves will be mined depends upon such factors as the nature and extent of the market for uranium in concentrate, mining and milling costs, the clarification of title with respect to certain properties, various conditions affecting uranium mining and the ability of the Company to obtain sales on a profitable basis, none of which can be accurately predicted.

12. Supplemental Information on Changing Prices (Unaudited)

Statement of Operations Adjusted for Changing Prices
for the Year Ended June 30, 1985

	As Reported in the Primary Statements	Adjusted for Changes in Specific Prices (Current Costs)
Net sales and other operating revenues	$39,056,000	$39,056,000
Cost of sales	32,305,000	32,305,000
Depreciation, depletion and amortization	794,000	2,109,000
Exploration and prospecting costs	1,878,000	1,878,000
Selling, general and administrative expenses	7,583,000	7,583,000
Interest expense	55,000	55,000
Other expense	277,000	277,000
	42,892,000	44,207,000
Loss before minority interests and income taxes	(3,836,000)	(5,151,000)
Minority interests	718,000	718,000
Net loss	$(4,554,000)	$(5,869,000)
Gain from decline in purchasing power of net amounts owed		$ 111,000
Excess of increase in general price level over increase in specific prices		$ 544,000

Five-Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices
(In Average 1985 Dollars)

	For Year Ended June 30				
	1985	1984	1983	1982	1981*
Net sales and other operating revenues	$ 39,056,000	$ 43,070,000	$101,326,000	$125,995,000	$114,013,000
Historical cost information adjusted for changes in specific prices					
Income (loss) before extraordinary credit	$ (5,869,000)	$(14,435,000)	$ 12,224,000	$ 25,681,000	$ 5,606,000
Income (loss) before extraordinary credit per common share	$(1.98)	$(4.88)	$4.13	$8.68	$2.08
Excess of increase in general price level over increase in the specific prices	$ 544,000	—	$ 2,742,000	—	$ 5,815,000
Excess of increase in the specific prices over increase in general price level	—	$ 170,000	—	$ 626,000	—
Net assets at year-end	$109,442,000	$123,423,000	$139,800,000	$128,236,000	$ 97,695,000
Cash dividends declared per common share	—	$ .52	$ .54	—	—
Market price per common share at year-end	$10⅛	$15⅜	$28¾	$13⅞	$17¼
Average consumer price index	316.8	304.9	294.1	281.9	259.4
Purchasing power gain	$ 111,000	$ 371,000	$ 307,000	$ 2,041,000	$ 4,403,000

*Adjusted to reflect change in the method of accounting for vanadium pentoxide. See adjustment set forth in "Five-Year Selected Financial Data".

In accordance with the Statement of Financial Accounting Standards No. 33 entitled "Financial Reporting and Changing Prices", supplementary information has been prepared restating inventory, property, plant and equipment, cost of goods sold, and depreciation, depletion and amortization expense for changes in specific prices up to June 30, 1985. The current cost amounts of inventory, which include inventory reserves of $2,683,000, and property, plant and equipment as of June 30, 1985, were $28,483,000 and $77,141,000 respectively.

The objective of this additional disclosure is to provide information on the most significant effects of inflation on business enterprises, reflected through the current cost presentations above. Financial information that reflects changes in general purchasing power can provide an improved basis for assessing whether an enterprise has maintained the purchasing power of its capital, as is demonstrated above by the gain on net monetary liabilities that are repayable in dollars of diminishing purchasing power. The current cost amounts do not necessarily represent costs which will be incurred in future periods, or the manner in which actual replacement of assets will occur.

Report of Independent Auditors

To the Board of Directors and Stockholders of ATLAS CORPORATION

We have examined the consolidated balance sheets of **Atlas Corporation and its Subsidiaries** as of June 30, 1985 and 1984, and the related consolidated statements of operations and retained earnings and changes in financial position for each of the three years in the period ended June 30, 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Atlas Corporation and its Subsidiaries as of June 30, 1985 and 1984, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended June 30, 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

New York, New York
August 27, 1985

Ernst & Whinney

Market Information and Dividends

Common Stock (Listed on the New York Stock Exchange, Symbol AZ)

Quarter Ended	Fiscal Year 1985 High	Fiscal Year 1985 Low	Fiscal Year 1984 High	Fiscal Year 1984 Low
September 30	18½	14¾	30	22¾
December 31	17¾	14¾	24	17
March 31	15¾	11⅞	18¾	14½
June 30	14¾	10⅛	20	15⅛

In fiscal 1985, no dividends were declared on the Common Stock, in fiscal year 1984, a dividend of 25¢ per share was paid on the Common Stock on January 3, 1984, and another dividend of 25¢ per share was paid on July 5, 1984. At June 30, 1985, there were approximately 25,000 holders of record of the Common Stock.

Five-Year Selected Financial Data

	For the Year Ended June 30				
	1985	1984	1983	1982	1981
Net Sales and other operating revenues	$39,056,000	$ 41,453,000	$ 94,066,000	$112,115,000	$ 93,356,000
Income (loss) before extraordinary credit	$(4,554,000)	$ (3,891,000)	$ 15,957,000	$ 25,128,000	$ 7,852,000
Income (loss) before extraordinary credit per common share	$ (1.54)	$ (1.31)	$ 5.39	$ 8.49	$ 2.65
Total assets	$95,885,000	$103,273,000	$118,569,000	$ 98,756,000	$102,219,000
Long-term obligations	$ 4,241,000	$ 6,257,000	$ 5,405,000	$ 6,038,000	$ 32,139,000
Book value per share of common stock	$ 26.79	$ 28.33	$ 30.15	$ 24.11	$ 14.96
Cash dividends declared per common share	—	$ .50	$ .50	—	—
Adjustment to Net Sales and other operating revenues pertaining to change in method of accounting for vanadium pentoxide	—	—	—	—	$ 7,073,000

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following comments should be read in conjunction with the Letter to Stockholders from the Chairman of the Board and President on Pages 1 through 4 and the Consolidated Financial Statements and accompanying notes on Pages 5 through 14.

Sales in 1985 were approximately the same as 1984. Sales of the natural resources segment decreased 48% in 1985 principally because of reduced sales of uranium in concentrate during 1985. Sales of the shoe parts segment decreased 16% principally as a result of increased competition from foreign imports. Sales of the building products segment increased 24% due to increased activity in the commercial and residential construction industry.

Sales in 1984 were $35,853,000, a decrease of 59% from 1983. The decrease in sales for 1984 was primarily attributable to the natural resources segment of the business, partially offset by an increase in sales of the remaining segments of the business. The natural resources segment had no significant sales of uranium in concentrate during 1984. During April 1984, the Company placed its Moab, Utah processing mill and its operating mines on a stand-by basis pending improvement in the market for sales of uranium in concentrate.

Cost of sales in 1985 was approximately the same as 1984. The natural resources segment cost of sales decreased 21% due to lower sales referred to above and lower production costs. The shoe parts segment cost of sales decreased 14% due to lower sales referred to above. The building products segment cost of sales increased 22% due to increased sales referred to above. Cost of sales as a percentage of sales was relatively stable for all the segments.

Cost of sales decreased in 1984 primarily due to the substantial decrease in sales of uranium in concentrate, partially offset by a reduction in the carrying value of uranium in concentrate inventories and employee termination and other expenses incurred in connection with placing the Company's mill and mines on a stand-by basis.

The remaining costs and expenses of the Company's uranium operations as well as its other businesses remained relatively stable as a percentage of sales.

The Company's loss before income taxes decreased in 1985 primarily due to the reasons described above. The Company's net loss for 1984 was reduced due to a credit for a reduction in income taxes.

The Company's sales and income for the periods set forth are not necessarily indicative of the results for any future period because revenues and profits from sales of uranium in concentrate vary significantly between periods depending upon the Company's ability to make sales and the delivery schedules, quantities and sales prices involved. The Company has a contract to sell approximately 585,000 pounds of uranium in concentrate over the next four fiscal years and has no inventory of or contracts to sell vanadium pentoxide. The Company has enough uranium in concentrate in inventory to meet its sales commitments and has additional inventory available for sale.

Working capital was $37,693,000 at June 30, 1985, $45,381,000 at June 30, 1984, and $50,989,000 at June 30, 1983. The Company's current ratio was 4.74 to 1 at June 30, 1985, 5.34 to 1 at June 30, 1984, and 3.79 to 1 at June 30, 1983.

The Company's capital expenditures in 1985 were $4,774,000, compared with $3,248,000 in 1984 and $3,028,000 in 1983. In each of those fiscal years, most of these capital expenditures were for the development of mining properties and modernization of milling facilities. In 1986, capital expenditures for uranium operations are expected to be minimal while the Company's uranium mill and mines are on a stand-by basis. The Company believes that for the foreseeable future it can meet the estimated $3,300,000 annual stand-by costs of its uranium mill and mines from funds on hand and funds generated internally in the future. The Company is seeking to obtain the $20,000,000 financing required for capital expenditures to bring the development of its Gold Bar ore body in Nevada into production. The Company plans to bring that property into production during 1986 if the required financing can be obtained.

For information regarding the impact of inflation on the Company for the fiscal year ended June 30, 1985, see Note 12 to the Consolidated Financial Statements on Page 14. It should be noted that while inflation does not have an impact on the revenues of the natural resources segment because the sales value of uranium in concentrate is determined by supply and demand, that segment's costs of materials and labor are subject to inflationary pressures as are the revenues and costs of the Company's other segments.